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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

2007 FEB 15 A 11:45

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FEB 15 2007

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
GARY PIERCE

AZ CORP COMMISSION  
DOCUMENT CONTROL

DOCKETED BY	nr
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IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY, AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON FOR  
UTILITY SERVICE BY ITS SUN CITY  
WASTEWATER AND SUN CITY WEST  
WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-06-0491

AMENDED RATE CASE  
PROCEDURAL ORDER

**BY THE COMMISSION:**

On July 28, 2006, Arizona-American Water Company ("Arizona-American" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in its rates for utility service by its Sun City Wastewater and Sun City West Wastewater Districts.

On August 28, 2006, the Commission's Utilities Division ("Staff") filed a Letter of Conditional Sufficiency classifying the Company as a Class A utility and indicating that Arizona-American's application met the sufficiency requirements outlined in A.A.C. R14-2-103. The letter stated that the sufficiency finding was conditioned upon the Company filing volumetric billing determinants that reconcile the proposed volumetric rates to the proposed revenue no later than October 11, 2006, and that the Company and Staff stipulated that if the Company did not file the billing determinants by that date, the timeclock in this matter would be immediately suspended until the information was filed.

On October 5, 2006, a Rate Case Procedural Order was issued to govern the preparation and conduct of this proceeding, and a corrected Rate Case Procedural Order was issued on October 17, 2006.

On October 24, 2006, the Company and Staff filed a Stipulation in this docket. The Stipulation stated that the Company had not yet provided to Staff the volumetric billing determinants

1 that reconcile the proposed volumetric rates to the proposed revenue. Staff and the Company jointly  
2 requested the issuance of a Procedural Order suspending the timeclock in this proceeding retroactive  
3 to October 11, 2006, until further notice. The Stipulation stated that the Company and Staff agreed  
4 that the procedural schedule be adjusted by a commensurate time period once Staff notifies the  
5 Commission that the information has been obtained from the Company and that it satisfactorily  
6 addressed Staff's needs.

7 By Procedural Order issued October 30, 2006, the timeclock in this proceeding was  
8 suspended, as stipulated to by the Company and Staff, retroactive to October 11, 2006, or 44 days  
9 after it commenced. The Procedural Order further provided that the timeclock in this proceeding  
10 would recommence effective on the date the Company filed the volumetric billing determinants that  
11 reconcile the proposed volumetric rates to the proposed revenue, and ordered the Company and Staff  
12 to make a filing in this docket informing the Commission of the date on which the volumetric billing  
13 determinants that reconcile the proposed volumetric rates to the proposed revenues were filed.

14 On January 5, 2007, the Company filed a Notice of Filing Revised G and H Schedules and  
15 Request for Procedural Order. Therein, the Company requested the issuance of a Procedural Order  
16 that adjusts the dates and deadlines in the original schedule by not more than the number of days in  
17 the time period from October 11, 2006 to January 5, 2007, or 87 days.

18 On February 2, 2007, Staff filed a Letter of Sufficiency. The letter indicated that with the  
19 supplemental direct testimony and revised schedules filed by the Company on January 29, 2007,  
20 Arizona-American's application had met the sufficiency requirements outlined in A.A.C. R14-2-103.  
21 Also on February 2, 2007, Staff filed a Motion for Procedural Order to Restart the Timeclock. Staff  
22 requested that the timeclock be restarted effective February 2, 2007.

23 Pursuant to the Procedural Order issued October 30, 2006, the timeclock in this matter should  
24 recommence effective January 29, 2007. Pursuant to A.A.C. R14-3-101, the Commission now issues  
25 this Procedural Order to govern the preparation and conduct of this proceeding.

26 IT IS THEREFORE ORDERED that the timeclock in this matter shall recommence effective  
27 January 29, 2007.

1 IT IS FURTHER ORDERED that the **hearing** in the above-captioned matter currently set to  
2 commence on **May 1, 2007, at 10:00 a.m.**, is hereby **continued** to **August 23, 2007 at 10:00 a.m.**, or  
3 as soon thereafter as is practical, at the Commission's offices, 1200 West Washington Street, Arizona  
4 85007.

5 IT IS FURTHER ORDERED that the **pre-hearing conference** currently scheduled for  
6 **April 27, 2007**, is hereby **continued** to **August 17, 2007 at 2:00 p.m.**, or as soon thereafter as is  
7 practical, at the Commission's offices, 1200 West Washington Street, Arizona 85007, for the purpose  
8 of scheduling witnesses and the conduct of the hearing.

9 IT IS FURTHER ORDERED that the parties shall bring to the pre-hearing conference a  
10 matrix listing issues remaining to be resolved with a brief description of the parties' positions on the  
11 unresolved issues.

12 IT IS FURTHER ORDERED that Staff shall file direct testimony and associated exhibits to  
13 be presented at hearing on its behalf on or before **June 13, 2007**.

14 IT IS FURTHER ORDERED that direct testimony and associated exhibits to be presented at  
15 hearing on behalf of intervenors shall be reduced to writing and filed on or before **June 13, 2007**.

16 IT IS FURTHER ORDERED that rebuttal testimony and associated exhibits to be presented  
17 at hearing by the Company shall be reduced to writing and filed on or before **July 9, 2007**.

18 IT IS FURTHER ORDERED that surrebuttal testimony and associated exhibits to be  
19 presented by Staff or intervenors shall be reduced to writing and filed on or before **July 31, 2007**.

20 IT IS FURTHER ORDERED that rejoinder testimony and associated exhibits to be presented  
21 at the hearing on behalf of the Company shall be reduced to writing and filed on or before **August 13,**  
22 **2007**.

23 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the**  
24 **filing is due, unless otherwise indicated.**

25 IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have  
26 been prefiled as of **August 13, 2007**, shall be made before or at the **August 17, 2007**, pre-hearing  
27 conference.  
28

1 IT IS FURTHER ORDERED that all testimony filed shall include a table of contents listing  
2 the issues discussed.

3 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to  
4 pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is  
5 scheduled to testify.

6 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the  
7 pre-filed testimony of each of their witnesses and shall file each summary at least two working days  
8 before the witness is scheduled to testify.

9 IT IS FURTHER ORDERED that copies of summaries shall be served upon the  
10 Administrative Law Judge, the Commissioners, the Commissioners' aides, and the parties of record.

11 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-  
12 105, except that all motions to intervene must be filed on or before **May 15, 2007**.

13 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
14 regulations of the Commission, except that: until **July 9, 2007**, any objection to discovery requests  
15 shall be made within 7 days<sup>1</sup> of receipt and responses to discovery requests shall be made within 10  
16 days of receipt; thereafter objections to discovery requests shall be made within 5 days and responses  
17 shall be made within 7 days of receipt. The response time may be extended by mutual agreement of  
18 the parties involved if the request requires an extensive compilation effort. No discovery requests  
19 shall be served after **August 10, 2007**.

20 IT IS FURTHER ORDERED that discovery requests, objections, and answers may be served  
21 electronically.<sup>2</sup>

22 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel  
23 discovery, any party seeking discovery may telephonically contact the Commission's Hearing  
24 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a  
25 request, a procedural hearing will be convened as soon as practicable; and that the party making such  
26

27 <sup>1</sup> "Days" means calendar days. The date of receipt of discovery requests is not counted as a day, and requests received  
after 4:00 p.m. MST will be considered as received the next business day.

28 <sup>2</sup> If requested by the receiving party, and the sending party has the technical capability, service electronically is  
mandatory.

1 a request shall contact all other parties to advise them of the hearing date and shall at the procedural  
2 hearing provide a statement confirming that the other parties were contacted.<sup>3</sup>

3 IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by  
4 the Commission within 20 days of the filing date of the motion shall be deemed denied.

5 IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of  
6 the filing date of the motion.

7 IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date  
8 of the response.

9 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in  
10 this matter, in the following form and style, with the heading in no less than 12 point bold type and  
11 the body in no less than 10 point regular type:

12 **PUBLIC NOTICE OF HEARING ON THE APPLICATION**  
13 **OF ARIZONA-AMERICAN WATER COMPANY FOR FOR INCREASES IN ITS RATES**  
14 **AND CHARGES FOR UTILITY SERVICE BY ITS SUN CITY WASTEWATER AND SUN**  
15 **CITY WEST WASTEWATER DISTRICTS**  
16 **DOCKET NO. WS-01303A-06-0491**

17 On July 28, 2006, Arizona-American Water Company ("Company") filed an  
18 application with the Arizona Corporation Commission ("Commission") for an increase  
19 in operating income for its Sun City Wastewater District of approximately 35.84  
20 percent (\$1,606,636), and for its Sun City West Wastewater District of approximately  
21 51.50 percent (\$2,337,140). **Under the Company's volumetric rate design**  
22 **proposal, a typical residential customer's bill for wastewater service in the Sun**  
23 **City Wastewater District would increase from the current rate of \$10.98 per**  
24 **month to approximately \$15.01 per month (approximately 36.7 percent),**  
25 **depending on usage, and in the Sun City West Wastewater District would**  
26 **increase from the current rate of \$20.56 per month to approximately \$33.60 per**  
27 **month (approximately 63.42 percent), depending on usage.** The Commission's  
28 Utilities Division Staff has not yet made a recommendation regarding the Company's  
rate increase proposal, and the Commission will determine the appropriate rate relief  
to be granted based on the evidence of record in this proceeding. The Commission is  
not bound by the proposals made by the Company, Staff, or any intervenors and,  
therefore, the final rates approved in this docket may be lower or higher than the rates  
described above. Copies of the application and proposed tariffs are available at the  
Company's offices [insert address] and on the internet via the Commission website  
([www.azcc.gov](http://www.azcc.gov)) using the e-docket function.

<sup>3</sup> The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 The Commission will hold a hearing on this matter beginning **August 23, 2007, at**  
2 **10:00 a.m.**, at the Commission's offices, 1200 West Washington, Phoenix, Arizona.  
3 Public comments will be taken on the first day of the hearing.

4 The law provides for an open public hearing at which, under appropriate  
5 circumstances, interested parties may intervene. Intervention shall be permitted to any  
6 person entitled by law to intervene and having a direct and substantial interest in the  
7 matter. If you desire to intervene, you must file a written motion to intervene with the  
8 Commission no later than **May 15, 2007**. You must send a copy of the motion to  
9 intervene to the Company or its counsel and to all parties of record. Your motion to  
10 intervene must contain the following:

- 11 1. Your name, address, and telephone number and the name, address and  
12 telephone number of any party upon whom service of documents is to  
13 be made if not yourself.
- 14 2. A short statement of your interest in the proceeding (e.g., a customer of  
15 the Company, a shareholder of the Company, etc.).
- 16 3. A statement certifying that you have mailed a copy of the motion to  
17 intervene to the Company or its counsel and to all parties of record in  
18 the case.

19 The granting of intervention, among other things, entitles a party to present sworn  
20 evidence at the hearing and to cross-examine other witnesses. However, failure to  
21 intervene will not preclude any interested person or entity from appearing at the  
22 hearing and providing public comment on the application or from filing written  
23 comments in the record of the case. You will not receive any further notice of this  
24 proceeding unless you request it.

25 If you have any questions about this application, wish to file written comments on the  
26 application, or want further information on intervention, you may contact the  
27 Consumer Services Section of the Commission at 1200 West Washington Street,  
28 Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its  
public meetings. Persons with a disability may request a reasonable accommodation  
such as a sign language interpreter, as well as request this document in an alternative  
format, by contacting the ADA Coordinator, Linda Hogan, at LHogan@azcc.gov,  
voice phone number 602/542-3931. Requests should be made as early as possible to  
allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Company shall mail to each of its customers a copy of  
the above notice as a bill insert beginning with the first billing cycle in **March, 2007**, and shall cause  
the above notice to be published at least once in a newspaper of general circulation in the affected  
service territories, with publication to be completed no later than **March 15, 2007**.

IT IS FURTHER ORDERED that the Company shall file certification of mailing/publication  
as soon as practical after the mailing/publication has been completed.

1 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/publication  
2 of same, notwithstanding the failure of an individual customer to read or receive the notice.

3 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended  
4 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

5 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized  
6 Communications) applies to this proceeding and shall remain in effect until the Commission's  
7 Decision in this matter is final and non-appeable.

8 IT IS FURTHER ORDERED that all parties must comply with Rule 33(c) and 38(a) of the  
9 Rules of the Arizona Supreme Court with respect to practice of law and admission *pro hac vice*.

10 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance  
11 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the  
12 Rules of Arizona Supreme Court). Representation before the Commission includes the obligation to  
13 appear at all hearings and procedural conferences, as well as all Open Meetings for which the matter  
14 is scheduled for discussion, unless counsel has previously been granted permission to withdraw by  
15 the Administrative Law Judge or the Commission.

16 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive  
17 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

18 Dated this 15<sup>th</sup> day of February, 2007

19  
20  
21   
22 TEENA WOLFE  
ADMINISTRATIVE LAW JUDGE

23 Copies of the foregoing mailed/delivered  
this 15<sup>th</sup> day of February, 2007 to:

24 Craig A. Marks  
25 ARIZONA-AMERICAN WATER  
COMPANY  
26 3420 E. Shea Blvd., Ste. 200  
Phoenix, AZ 85028  
27  
28


1 Scott S. Wakefield, Chief Counsel  
2 Residential Utility Consumer Office  
3 1110 West Washington, Suite 220  
4 Phoenix, AZ 85007

5 Christopher Kempley, Chief Counsel  
6 Legal Division  
7 ARIZONA CORPORATION COMMISSION  
8 1200 West Washington Street  
9 Phoenix, AZ 85007

10 Ernest G. Johnson, Director  
11 Utilities Division  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington  
14 Phoenix, AZ 85007

15 ARIZONA REPORTING SERVICE, INC.  
16 2627 N. Third Street, Ste. Three  
17 Phoenix, Arizona 85004-1126

18 By:

19   
20 Diane Rodriguez  
21 Secretary to Teena Wolfe  
22  
23  
24  
25  
26  
27  
28